

GAO

Report to the Clerk of the House of
Representatives

August 1988

FINANCIAL AUDIT

House Recording
Studio Revolving Fund
for 1987 and 1986



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Comptroller General
of the United States

B-114842

August 26, 1988

The Honorable Donnal K. Anderson
Clerk of the House of Representatives

Dear Mr. Anderson:


As requested in your letter of November 18, 1987, we have examined the balance sheets of the House of Representatives Recording Studio Revolving Fund as of December 31, 1987 and 1986, and the related statements of operations and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We completed our audit work on April 29, 1988.

In our opinion, the financial statements referred to above present fairly the financial position of the House of Representatives Recording Studio Revolving Fund as of December 31, 1987 and 1986, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles and the accounting policies described in note 1 to the financial statements applied on a consistent basis.

Our report on internal accounting controls and compliance with laws and regulations, together with the Fund's financial statements and accompanying notes for the years ended December 31, 1987 and 1986, are included in this report.

We are sending a copy of this report to the Chairman of the Committee on House Administration.

Sincerely yours,

for 
Charles A. Bowsher
Comptroller General
of the United States

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Report on Internal Accounting Controls and Compliance With Laws and Regulations

We have examined the financial statements of the House of Representatives Recording Studio Revolving Fund for the years ended December 31, 1987 and 1986. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures, including tests of compliance with laws and regulations, as we considered necessary in the circumstances. This report pertains only to our study and evaluation of the system of internal accounting controls and our review of compliance with laws and regulations for the year ended December 31, 1987. Our report on internal accounting controls and compliance with laws and regulations for the year ended December 31, 1986, is presented in GAO/AFMD-87-50, September 22, 1987.

As part of our examination, we made a study and evaluation of the Fund's system of internal accounting controls to the extent we considered necessary to evaluate the system as required by generally accepted government auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Fund's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting controls taken as a whole or on any of the categories of controls identified below.

For the purpose of this report, we have classified the significant internal accounting controls into the categories of receipts, disbursements, equipment, inventory, and receivables. Our study included all of these control categories.

The management of the Fund is responsible for establishing and maintaining a system of internal accounting controls. In fulfilling this responsibility, management makes estimates and judgments required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with the financial accounting policies described in note 1 to the statements.

Because of inherent limitations in any system of internal accounting controls, errors or irregularities may occur and not be detected. Also,

projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation, which was made for the limited purpose described in the second paragraph, would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting controls taken as a whole or on any of the categories of controls identified. However, our study and evaluation disclosed no condition that we believed to be a material weakness that would affect our expressing an opinion on the Fund's financial statements.

As part of our examination, we also tested the Fund's compliance with applicable laws and regulations. In our opinion, the House Recording Studio Revolving Fund complied with the terms and provisions of laws and regulations for the transactions tested that could have materially affected its financial statements. Nothing came to our attention, in connection with our examination, that caused us to believe that the Fund was not in compliance with the terms and provisions of laws and regulations for those transactions not tested.

Balance Sheet

			December 31,	
			1987	1986
Assets				
Current Assets				
Revolving fund cash (note 1)			\$575,903	\$817,293
Petty cash			100	100
Accounts receivable			62,571	22,506
Inventory of materials and supplies, at cost (note 1)			16,316	21,171
Total current assets			654,890	861,070
Fixed Assets				
Equipment (note 3)			1, 869,092	1,660,539
Less accumulated depreciation (note 1)			950,435	937,047
Total fixed assets			918,657	723,492
Total Assets			\$1, 573,547	\$1,584,562
Liabilities and Government Equity				
Liabilities				
Accounts payable			\$5,181	\$105,334
Government Equity				
Contributed capital			183,410	183,410
Revolving fund:				
Balance at beginning of year			1, 295,818	1,266,244
Net income			89,138	29,574
Balance at end of year			1, 384,956	1,295,818
Total government equity			1, 568,366	1,479,228
Total Liabilities and Government Equity			\$1, 573,547	\$1,584,562

The accompanying notes are an integral part of this statement.

Statement of Operations

	Total		Radio		Television		Photographic laboratory	
	1987	1986	1987	1986	1987	1986	1987	1986
Revenues								
Sales	\$405,566	\$286,704	\$63,350	\$43,191	\$235,195	\$148,908	\$107,021	\$94,605
Expenses								
Maintenance and repairs	41,202	45,011	5,739	4,915	31,199	28,339	4,264	11,757
Small equipment expense	14,772	10,158	436	2,850	13,601	3,156	735	4,152
Supplies	58,562	35,515	17,606	4,167	13,300	12,303	27,656	19,045
Film materials	7,975	15,235	0	0	0	0	7,975	15,235
Office supplies and expenses	5,850	6,326	1,950	2,109	1,950	2,109	1,950	2,108
Miscellaneous expenses	2,549	2,734	854	912	855	912	840	911
Outside processing	33,058	4,819	0	0	32,415	4,705	643	114
Depreciation of equipment	152,124	137,332	19,870	19,629	101,353	90,295	30,901	27,408
Total expenses (note 2)	316,092	257,130	46,455	34,582	194,673	141,819	74,964	80,730
Income From Operations	89,474	29,574	16,895	8,609	40,522	7,089	32,057	13,875
Other Expense								
Loss on disposal of equipment	336	0	0	0	336	0	0	0
Net Income	\$89,138	\$29,574	\$16,895	\$8,609	\$40,186	\$7,089	\$32,057	\$13,875

The accompanying notes are an integral part of this statement.

Statement of Changes in Financial Position

	Years ended December 31,	
	1987	1986
Funds Provided		
Net income from operations	\$89,474	\$29,574
Provision for depreciation	152,124	137,332
Increase in accounts payable	0	86,588
Decrease in accounts receivable	0	12,985
Decrease in inventory of materials and supplies	4,855	1,496
Total funds provided	246,453	267,975
Funds Applied		
Increase in accounts receivable	40,065	0
Loss on equipment disposal	336	0
Decrease in accounts payable	100,153	0
Purchase of equipment	347,289	200,278
Total funds applied	487,843	200,278
Increase (Decrease) in Cash	\$(241,390)	\$67,697

The accompanying notes are an integral part of this statement.

Notes to Financial Statements

Note 1. Significant Accounting Policies

The House Recording Studio was established pursuant to section 105 of the Legislative Branch Appropriation Act, 1957 (2 U.S.C. 123b). The Studio, managed by a director under the jurisdiction of the Clerk of the House of Representatives and subject to the direction and control of the Special Committee on the House Recording Studio, makes photographic prints, as well as radio and television tape recordings for Members and committees of the House. The prices charged for services are set by the Clerk of the House, subject to the approval of the Special Committee. The Congressional Handbook provides a detailed description of the Studio's activities.

Studio operations are financed from the Revolving Fund and from funds appropriated to the Clerk of the House and the Architect of the Capitol. All moneys received from operations are deposited into the Revolving Fund and are available for the Studio's operations.

Each Member is authorized an allowance for the conduct of the official and representational duties of his or her office. Charges for Studio services provided to Members may be paid (1) by the House Finance Office from a Member's allowance account, (2) directly by a Member, or (3) by a media organization through a Member.

Charges for Studio services provided to committees may be paid (1) by the House Finance Office from committee funds or (2) by a media organization through a committee.

Some 1986 figures were restated due to minor adjustments relating to 1986 transactions.

All inventory items are valued on a weighted-average cost basis. Various items such as light bulbs and photo paper, which were previously included in the materials and supplies inventory, were charged directly to an expense account in 1987.

Equipment is depreciated over a 10-year or a 5-year period using the straight-line method.

Note 2. Other Operating Costs

Certain costs of operating the House Recording Studio are not paid from the revolving fund. The costs related to space occupancy, building maintenance and utilities cannot be readily determined. Identifiable costs paid from appropriated funds of the Clerk of the House or the Architect

of the Capitol for the fiscal years ended December 31, 1987 and 1986, follow.

Table 1: Identifiable Operating Costs

Costs Paid	1987	1986
Salaries and benefits	\$959,103	\$878,812
Equipment expenses paid to House Office Equipment Service	36,973	0
Reimbursement to House Information Systems	131,820	109,205
Telephone	17,542	14,654
Office supplies	0	370
Total	\$1,145,438	\$1,003,041

Note 3. Equipment

A summary of the changes in the equipment account for the years ended December 31, 1987 and 1986, follows.

Table 2: Changes in Equipment

	Radio	Television	Photographic laboratory	Office	Total
Balance — December 31, 1985	\$200,809	\$1,094,998	\$164,103	\$351	\$1,460,261
Additions	4,159	149,735	46,384	0	200,278
Balance — December 31, 1986	204,968	1,244,733	210,487	351	1,660,539
Additions	9,300	339,325	0	0	348,625^a
Reductions	0	(137,844)	(2,228)	0	(140,072)
Balance — December 31, 1987	\$214,268	\$1,446,214	\$208,259	\$351	\$1,869,092

^aThis figure represents the net value of equipment purchased during 1987. When reduced by the underpreciated value of equipment traded in (\$1,336), it corresponds with the funds applied (\$347,289) for purchase of equipment shown in the statement of changes in financial position.

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